Case Study – Financial Risk Assessment
Community College XYZ
Overview

This case study describes the flow of a Top-Down, Risk-Based Approach for example Community College XYZ. Within this case study, we have examples of the following types of internal control weaknesses:

Internal Control Weakness in a Narrative (page 8)
Internal Control Weakness in a Walkthrough (CR-6 page 12)
Internal Control Weakness in a Test (page 16)

This case study is not all-inclusive and is to be used for informational purposes only.

Case Study – Financial Risk Assessment
Community College XYZ
Financial Statements

FY 2011 Financial Statements

ASSETS	
Current Assets:	
Cash and Cash Equivalents	3,700,000
Restricted Cash and Cash Equivalents	1,100,000
Receivables, Net (Note 3)	1,200,000
Inventories	80,000
Notes Receivable, Net (Note 3)	2,300,000
Total Current Assets	8,380,000
Noncurrent Assets:	
Restricted Due from Primary Government	5,400,000
Capital Assets - Nondepreciable (Note 4)	20,000,000
Capital Assets - Depreciable, Net (Note 4)	90,000,000
Total Noncurrent Assets	115,400,000
Total Assets	123,780,000
LIABILITIES	
Current Liabilities:	
Account Payable and Accrued Liabilities (Note 5)	5,600,000
Unearned Revenue	800,000
Funds Held for Others	100,000
Long-Term Liabilities - Current Portion (Note 6)	300,000
Total Current Liabilities	6,800,000
Noncurrent Liabilities:	
Long-Term Liabilities (Note 6)	1,500,000
Total Noncurrent Liabilities	1,500,000
Total Liabilities	8,300,000
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	110,000,000
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	1,535,000
Instructional Programs	30,000
Faculty and Staff Awards	25,000
Expendable:	
Scholarships and Fellowships	1,000,000
Loans	2,000
Instructional Programs	538,000
Capital Projects	800,000
Other	150,000
Unrestricted	1,400,000
Total Net Assets	115,480,000

Case Study – Financial Risk Assessment
Community College XYZ
Financial Statements

FY 2011 Financial Statements (continued)

REVENUES	
Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	11,100,000
Federal Grants and Contracts	5,400,000
State and Local Grants and Contracts	100,000
Sales and Services, Net (Note 8)	450,000
Other Operating Revenues	18,000
Total Operating Revenues	17,068,000
EXPENSES	
Operating Expenses:	
Salaries and Benefits	50,000,000
Supplies and Materials	5,000,000
Services	10,000,000
Scholarships and Fellowships	6,000,000
Utilities	800,000
Depreciation	2,000,000
Total Operating Expenses	73,800,000
Operating Loss	(56,732,000)
NONOPERATING REVENUES (EXPENSES)	
State Aid	40,000,000
County Appropriations	13,500,000
Noncapital Grants	2,000,000
Noncapital Gifts	80,000
Investment Income	6,500
Other Nonoperating Revenues	22,000
Net Nonoperating Revenues	55,608,500
Loss Before Other Revenues	(1,123,500)
State Capital Aid	2,000,000
County Capital Aid	6,000,000
Capital Grants	2,000
Increase in Net Assets	6,878,500
NET ASSETS	
Net Assets - July 1, 2010	108,601,500
Net Assets - June 30, 2011	115,480,000

Case Study – Financial Risk Assessment
Community College XYZ
Materiality & Account Risk

Legend	
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🟧	Copy from PY Fin Stmts

Materiality Threshold	
1%	Low=1
1% - 5%	Moderate=2
5%	High=3

Prepared by:	T. Smith
Reviewed by:	J. Doe

Materiality			Account Risk Assessment						
Account/Sub-account	Account Balance	Materiality	Size and Composition	Transaction Volume	Transaction Complexity	Subjectivity/ Estimation	Inherent Risk	Total Score	Stop or Continue to Process Risk
🟧	🟧	🟦	🟦	🟪	🟪	🟪	🟪	🟦	🟦
Balance Sheet **Assets**	Use FY 2011 Financial Statements								
Cash and Cash Equivalents	3,700,000	**High**	3	3	2	1	3	12	**Continue**
Restricted Cash and Cash Equivalents	1,100,000	**High**	3	3	2	1	3	12	**Continue**
Receivables, Net (Note 3)									
Students	400,000	**Moderate**	2	3	1	3	3	12	**Continue**
Other	200,000	**Moderate**	2	1	1	1	2	7	Stop
Inventories	80,000	**Low**	1	1	1	1	1	5	Stop
Receivables, Net (Intergovernmental)	2,300,000	**High**	3	1	1	1	1	7	Stop
Restricted Due from Primary Gov't	5,400,000	**High**	3	1	1	1	1	7	Stop
Capital Assets - Nondepreciable									
Land	18,000,000	**High**	3	1	1	1	1	7	Stop
Construction in Process	2,000,000	**High**	3	1	2	1	1	8	Stop
Capital Assets - Depreciable, Net									
Buildings	75,000,000	**High**	3	1	1	2	1	8	Stop
Machinery & Equipment	12,000,000	**High**	3	2	1	2	3	11	**Continue**
General Infrastructure	3,000,000	**High**	3	1	1	2	1	8	Stop
Total Assets	**123,780,000**								
Less Capital Assets, Net	110,000,000								
Total Assets Net Capital Assets	**13,780,000**								
Liabilities									
Accounts Payable and Accrued Liabilities									
Account Payable	1,100,000	**High**	3	1	1	1	1	7	Stop
Accrued Payroll	1,500,000	**High**	3	1	1	1	1	7	Stop
Account Payable - Capital Assets	3,000,000	**High**	3	2	1	1	1	8	Stop
Unearned Revenue	800,000	**High**	3	1	2	1	1	8	Stop
Funds Held for Others	100,000	**Low**	1	1	1	1	1	5	Stop
Long-Term Liabilities - Current Portion	300,000	**Moderate**	2	2	2	1	1	8	Stop
Long-Term Liabilities (Note 6)	1,500,000	**High**	3	2	2	1	1	9	**Continue**

Case Study – Financial Risk Assessment

Community College XYZ

Materiality & Account Risk (continued)

Materiality			Account Risk Assessment						
Account/Sub-account	Account Balance	Materiality	Size and Composition	Transaction Volume	Transaction Complexity	Subjectivity/ Estimation	Inherent Risk	Total Score	Stop or Continue to Process Risk
Operating Statement **Revenues**	Use FY 2011 Financial Statements								
Student Tuition and Fees, Net	11,100,000	**High**	3	3	2	3	1	12	**Continue**
Federal Grants and Contracts	5,400,000	**High**	3	3	1	1	1	9	**Continue**
State and Local Grants and Contracts	100,000	**Low**	1	1	1	1	1	5	Stop
Sales and Services, Net	450,000	**Low**	1	1	1	1	1	5	Stop
Other Operating Revenues	18,000	**Low**	1	1	1	1	1	5	Stop
State Aid	40,000,000	**High**	3	1	1	1	1	7	Stop
County Appropriations	13,500,000	**High**	3	1	1	1	1	7	Stop
Noncapital Grants	2,000,000	**Moderate**	2	2	2	1	1	8	Stop
Noncapital Gifts	80,000	**Low**	1	1	1	1	1	5	Stop
Investment Income, Net	6,500	**Low**	1	1	1	1	1	5	Stop
Other Nonoperating Revenues (Expenses)	22,000	**Low**	1	1	1	1	1	5	Stop
State Capital Aid	2,000,000	**Moderate**	2	1	1	1	1	6	Stop
County Capital Aid	6,000,000	**High**	3	1	1	1	1	7	Stop
Capital Grants	2,000	**Low**	1	1	1	1	1	5	Stop
Total Revenues	**80,678,500**								

Expenses									
Salaries and Benefits	50,000,000	**High**	3	3	2	1	2	11	**Continue**
Supplies and Materials	5,000,000	**High**	3	2	1	1	1	8	Stop
Services	10,000,000	**High**	3	2	1	1	1	8	Stop
Scholarships and Fellowships	6,000,000	**High**	3	3	3	1	1	11	**Continue**
Utilities	800,000	**Low**	1	1	1	1	1	5	Stop
Depreciation/ Amortization	2,000,000	**Moderate**	2	2	2	2	1	9	**Continue**
Total Expenses	**73,800,000**								

Greater of Revenues or Expenses	**80,678,500**

To rate each account caption above enter a 1 for Low, 2 for Moderate or 3 for High. The Account Risk Assessment should be completed for all Asset, Liability, Revenue and Expense Accounts. High and Moderate risk accounts will move forward to the Process Risk Assessment.

Low	Total Score of 8 or less.
Moderate	Total Score of less than 12 but greater than 8.
High	Total Score of 12 or greater.

Note: Risk ratings will vary by community college. Numbers above are for example purposes only.

Case Study – Financial Risk Assessment
Community College XYZ
Process Risk

Legend	
🟦	Auto Calculating Field
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🟧	Copy from Account Risk

Prepared by:	T. Smith
Reviewed by:	J. Doe

Account	Account Risk Rating (High or Moderate)	Significant Processes	Size and Composition	Susceptibility Due to Error/ Fraud	Complexity of Transactions	Similarity of Transactions	IT Dependency/ Manual Intervention	Degree of Subjectivity/ Estimation	Total Score	Stop or Continue to Location Risk or to Narrative
Cash & Cash Equivalents; Restricted Cash & Cash Equivalents	**High**	Cash Receipts - Automated	3	3	1	2	1	1	11	**Continue**
		Cash Receipts - Manual	1	3	1	2	3	1	11	**Continue**
		Deposits	3	2	1	1	3	1	11	**Continue**
		Bank Reconciliation	3	2	2	1	3	1	12	**Continue**
		Data Access Rights to Cash App	3	3	1	2	3	1	13	**Continue**
Receivables, Net (Students)	**High**	Invoicing/Billing	3	2	2	2	2	1	12	**Continue**
		Allowance Calculation - Students	1	2	2	1	2	2	10	Stop
		Return of Title IV Funds	3	3	3	1	2	1	13	**Continue**
		Reconcile Sub A/R to G/L	3	3	2	1	2	1	12	**Continue**
		Data Access Rights to A/R App	3	3	1	1	3	1	12	**Continue**
Capital Assets, Depreciable	**Moderate**	New Assets (Additions)	1	2	1	2	3	1	10	Stop
		Dispose of Assets (Deletions)	1	3	2	2	2	1	11	**Continue**
		Calculate Depreciation	2	1	2	2	2	3	12	**Continue**
		Physical Inventory	3	3	1	2	3	1	13	**Continue**
		Record/Reconcile Subsystem to G/L	3	3	1	2	2	1	12	**Continue**
		Accrual Reporting	2	1	2	2	3	1	11	**Continue**
		Data Access Rights to Cap Assets Subsystem	3	3	1	1	3	1	12	**Continue**
Student Tuition & Fees, Net	**High**	Calculate Scholarship Discounts	1	3	2	1	3	2	12	**Continue**
		Calculate Allowance for Uncollectibles	2	2	2	1	3	3	13	**Continue**
		Update the Tuition & Fees Tables	3	3	2	2	3	1	14	**Continue**
		Data Access Rights to Revenue Tables	3	3	1	1	3	1	12	**Continue**

To rate each process above enter a 1 for Low, 2 for Moderate or 3 for High. The Process Risk Assessment should be completed for all account captions with a total score of High or Moderate on the Account Risk Assessment.

Low	Total Score of 10 or less.
Moderate	Total Score of less than 15 but greater than 10.
High	Total Score of 15 or greater.

Note: High and Moderate risk Liability, Revenue except Student Tuition & Fees, Net and Expense accounts have been intentionally omitted. Risk rating will vary by community college. Numbers above are for example purposes only.

Case Study – Financial Risk Assessment
Community College XYZ
Location Risk

Legend	
🟦	Auto Calculating Field
🟪	User Entry Field
🟧	Copy from Process Risk

Prepared by:	T. Smith
Reviewed by:	J. Doe

Account	Significant Process	Process Risk Rating (High or Moderate)	Locations	Prior Year Issues	IT Environment	Complexity of Business and Accounting Transactions	Changes in Business or Accounting Transactions	Quantitative Significance	Total Score	Stop or Continue to Narrative
🟧	🟧	🟧	🟪	🟪	🟪	🟪	🟪	🟪	🟦	🟦
Cash & Cash Equivalents; Restricted Cash & Cash Equivalents	Cash Receipts - Automated	Moderate	Cashiers Office	3	1	1	2	3	10	**Continue**
			Bookstore	2	1	1	1	2	7	Stop
									0	
									0	
									0	

If a significant process is High or Moderate risk and performed at more than one location, you must complete the Location Risk Assessment template. Location risk helps management to understand which locations represent the highest risk for each financial statement account and consequently require the most effort to document and test. If a significant process is not performed at more than one location, the Location Risk Assessment template is not applicable.

Note: Locations and risk ratings will vary by community college. Numbers above are for example purposes only.

To rate each location above enter a 1 for Low, 2 for Moderate or 3 for High.

Low	Total Score of 8 or less.
Moderate	Total Score of less than 12 but greater than 8.
High	Total Score of 12 or greater.

Case Study – Financial Risk Assessment
Community College XYZ
Narrative

Fund(s): Proprietary

Account(s): Cash and Cash Equivalents; Restricted Cash and Cash Equivalents

Significant Process: Cash Receipts - Automated

Location: Cashiers Office

Significant Process Risk Rating: Moderate

Supporting System(s) / Application(s): Colleague Modules A/R and General Ledger

This document provides a description of the above Significant Process as of FYE 6/30/2012. Internal controls are *Italicized,* Critical Controls are **Bolded** and control weaknesses are underlined.

Input: Cashier Office payment collections

Output: Deposit Preparation

Source(s): Cashiers, Accounts Receivable Manager

Prepared by: Risk Assessment Team Member

Interview Date: Nov. 11, 2011

Cash receipting with a cash register system (automated):

Customer (student) pays for Tuition and Fees in person at the Cashiers Office. Before accepting check payment, the check is verified with a valid picture ID (driver's license, military id) at the time of receipt and all necessary information is added to the check in case of NSF (driver's license number, student ID number). If the customer is paying with a credit card, the card holder must be present. This is verified by a picture ID. Once the check, credit card, or cash is receipted into the student's account on the Datatel system, *a pre-numbered receipt is generated and given to the customer. (CR-1)* Checks are not restrictively endorsed as soon as they are received.

Online Payments:

For on-line payments, customers must have a valid Datatel Webadvisor account (login id and password). A cashiering session is created for the Webadvisor cashier, exactly like a live cashier. Students login to their Webadvisor accounts and make payment. *A pre-numbered receipt is generated and provided to the customer. (CR-1)*

Mail-in payments:

For mail payments, they are *picked up by the VP's staff assistant (CR-2)* and recorded in a manual check log that is maintained in the vault in the Cashiers Office. The checks and the check log are given to the Accounts Receivable Manager. Checks are distributed to various individuals in the Business Office. Those individuals sign the check log to indicate that they are taking responsibility for the checks. Business Office employees prepare a receipt transmittal, ensuring that the funds are coded accurately. The check and the receipt transmittal are returned to the Head Cashier or her backup for receipting. *The Accounts Receivable Manager obtains the check receipt log from the Cashiers Office.* ***The AR Manager is responsible for verifying that all checks recorded in the check log book have been receipted in the system. She indicates the receipt number and date in the check log book as proof of her verification. (CR-3)***

All funds are secure in each cashier's locked drawer. (CR-4)

Case Study – Financial Risk Assessment

Community College XYZ

Narrative (continued)

Receipt Reversals:

If a cashier needs to complete a receipt reversal, the cashier requests approval from the Accounts Receivable Manager. *The Accounts Receivable Manager initials the receipt reversal. (CR-5)* ***The Account Receivable Manager also approves and signs the Receipt Tender Code Analysis (RTCA) daily which includes the negative receipts. (CR-6)***

Close out procedures:

At the end of the day, each cashier counts their cash, credit card sales, and checks and completes a Daily Cash Count Sheet which includes the cashier's signature. *The Head Cashier runs the daily reports from the Datatel system (automatically updates the general ledger), reconciles the system receipt totals to the Cash Count Sheet totals, and signs as the reviewer. In the case of credit card receipts, the Head Cashier logs into Official Payments (the College's credit card processor) Back Office Reports and reconciles the report to the Datatel cashier session for Webadvisor payments, and signs as the reviewer. (CR-7)* The Head Cashier prepares the deposit for the bank. ***The Controller reviews and signs the Daily Cash Analysis (DCA) package documentation including verifying the prepared deposits. (CR-8)*** All cash receipt documentation is filed in the daily DCA package in the Business Office.

Note: Label all your controls with a control reference number in the above narrative. This control reference number will be cross-referenced throughout the remainder of the templates.

A critical control is a control that will prevent or detect an error in the event that all other controls fail. If there isn't a critical control in the process you may need to test all the controls in your narrative. If the critical control encompasses the prior controls you will only need to test the critical control and not the individual control.

Refer to the Guidance Manual and/or Case Studies for an example of how to complete the narrative template. The narrative should be for the process in place at the end of the current fiscal year. If your College's processes are changing during the fiscal year, document the new process that will be in effect at the end of the current fiscal year, rather than the old process.

Narratives should be written for all high and moderate risk processes. These have been intentionally omitted from the case study.

Case Study – Financial Risk Assessment
Community College XYZ
Walkthrough

Fund(s): Proprietary

Account(s): Cash and Cash Equivalents; Restricted Cash and Cash Equivalents

Significant Process: Cash Receipts - Automated

Location: Cashiers Office

Significant Process Risk Rating: Moderate

Supporting System(s) / Application(s): Colleague Modules A/R and General Ledger

This walkthrough assists in documenting our understanding of the design of controls. We are documenting the procedures performed, evidence obtained and conclusions as to the effective design of the underlying controls and whether the controls have been implemented. Select a transaction that has occurred within the current Fiscal Year and walk through all controls listed on the narrative template (template 02).

Walkthroughs should be performed by someone who is not ordinarily involved in the process, and if possible, should be performed when the process occurs. A walkthrough should be performed for all controls identified in the narrative, both critical and non-critical.

Control Owner's Title: Cashier, VP's Staff Assistant, AR Manager and Controller

Date of Walkthrough/Interview: Nov. 15, 2011

Walkthrough Performed by: Risk Assessment Team Member

Control Description and Control Reference #: A *pre-numbered receipt is generated and given to the customer. (CR-1)*

Transaction Selection: Receipt #34567 for student R. Jackson generated at 11:20am

Procedures to Perform: Verify that a pre-numbered receipt is generated and given to the student after payment.

Results: Observed student R. Jackson make a tuition payment of $176.00 using a credit card. The cashier verified the student's ID before swiping the card. The system then generated a pre-numbered receipt for $176.00 which was given to the student.

Conclusion: The control appears to be in place and operating effectively at the time of the walkthrough.

Control Description and Control Reference #: *Mail payments are picked up and recorded by the VP's staff assistant (CR-2)*

Transaction Selection: Mail payments for 11/15/2011

Procedures to Perform: Verify that mail payments are picked up and recorded in the check log by the VP's staff assistant.

Case Study – Financial Risk Assessment

Community College XYZ

Walkthrough (continued)

Results: Verified the VP's staff assistant picks up and records the mail payments in the check log (Segregation of Duties).

Conclusion: The control appears to be in place and operating effectively at the time of the walkthrough.

Control Description and Control Reference #: ***The AR Manager is responsible for verifying that all checks recorded in the check log book have been receipted in the system. She indicates the receipt number and date in the check log book as proof of her verification. (CR-3)***

Transaction Selection: Check received on 11/15/2011 in the amount of $2,300.00 Receipt #38386

Procedures to Perform: Verify that the above check had been recorded in the check log and receipted into the system in a timely manner.

Results: On 11/15/2011, a check in the amount of $2,300.00 had been receipted into the system. Receipt #38386.

Conclusion: The control appears to be in place and operating effectively at the time of the walkthrough.

Control Description and Control Reference #: *All funds are secure in each cashier's locked drawer. (CR-4)*

Transaction Selection: Payments made on 11/15/2011

Procedures to Perform: Verify that all cash and check payments are kept secured in the cashier's locked drawer.

Results: Observed several payments throughout the morning. All payments were immediately put into the cash drawer which was kept locked.

Conclusion: The control appears to be in place and operating effectively at the time of the walkthrough.

Control Description and Control Reference #: *The Accounts Receivable Manager initials the receipt reversal. (CR-5)*

Transaction Selection: Receipt reversals for 11/15/2011

Procedures to Perform: Verify that the AR Manager initials receipt reversals.

Results: Examined 2 receipt reversals for AR Manager's initials on 11/15/11. The AR Manager did sign off on each of the receipt reversals.

Conclusion: The control appears to be in place and operating effectively at the time of the walkthrough.

Control Description and Control Reference #: ***The Account Receivable Manager also approves and signs the Receipt Tender Code Analysis (RTCA) daily which includes the negative receipts. (CR-6)***

Transaction Selection: 11/15/2011 Receipt Tender Code Analysis Report
3/12/2012 Receipt Tender Code Analysis Report
5/14/2012 Receipt Tender Code Analysis Report

Procedures to Perform: Verify that the Receipt Tender Code Analysis Report was approved by the AR Manager on 11/15/2011, 3/12/2012, and 5/14/2012.

Results: AR Manager had not signed off on the Receipt Tender Code Analysis Report on 11/15/2011. Therefore, we reviewed 2 additional dates to verify that the 11/15th was an isolated incident and not a control weakness. After the review of the additional dates, it was determine that this was a control weakness.

Conclusion: The control does not appear to be in place and operating effectively at the time of the walkthrough. We will document this on the Issue Summary Log.

Control Description and Control Reference #: *The Head Cashier runs the daily reports from the Datatel system (automatically updates the general ledger), reconciles the system receipt totals to the Cash Count Sheet totals, and signs as the reviewer. In the case of credit card receipts, the Head Cashier logs into Official Payments (the College's credit card processor) Back Office Reports and reconciles the report to the Datatel cashier session for Webadvisor payments, and signs as the reviewer. (CR-7)*

Transaction Selection: 11/15/2011 Cash Count Sheets

Procedures to Perform: Verify that the signed Cash Count Sheet totals agree to the Datatel receipt totals; Verify the Head Cashier signed off on the Cash Counts. For credit card receipts, verify that the Back Office Report total agrees to the Webadvisor payment total and the Head Cashier signed off as reviewer.

Results: The signed Cash Count Sheet totals agreed to Datatel totals. The Back Office Report total agreed to Webadvisor total. The Head Cashier signed off on both as the reviewer.

Conclusion: The control appears to be in place and operating effectively at the time of the walkthrough.

Control Description and Control Reference #: ***The Controller reviews and signs the Daily Cash Analysis (DCA) package documentation and verifies the prepared deposits. (CR-8)***

Transaction Selection: 11/15/2011 DCA package including the prepared deposits

Case Study – Financial Risk Assessment

Community College XYZ

Walkthrough (continued)

Procedures to Perform: Verify that the DCA package had been reviewed and signed by the Controller.

Results: The 11/15/2011 DCA package had been signed off by the Controller.

Conclusion: The control appears to be in place and operating effectively at the time of the walkthrough.

Note: This walkthrough will assist you when the test of controls is performed. During the walkthrough, if a control does not appear to be in place for the item selected, look at a few additional items to determine if the error noted for the first item was an isolated incident. If the issue is recurring, it is not necessary to document a test plan and perform testing. The issue should be added to the Issue Summary Log.

Refer to the Guidance Manual and/or Case Studies for an example of how to complete the walkthrough template.

Walkthroughs should be performed on all controls for all high and moderate risk processes. These have been intentionally omitted from the case study.

Case Study – Financial Risk Assessment

Community College XYZ

Risk and Control Matrix (RACM)

Document:	Risk and Control Matrix (RACM)
Entity:	*College XYZ*
Reporting Date:	June 30, 2012
Fund:	Proprietary
Financial Statement Account(s):	Cash and Cash Equivalents
System(s) / Application(s):	Colleague Modules A/R and General Leger

Prepared by:	T. Smith
Reviewed by:	J. Doe

Significant Process	Process Risk Rating	Financial Statement Assertions	Risks	Control Owner	Control Description	Control Ref. #	Automated, Manual or Both?	Prevent or Detect?	Frequency of Control Activity
Cash Receipts (Automated)	Moderate	Completeness; Existence	Possibility of cash receipts missing due to fraudulent activity by employees which could lead to an understatement in cash and revenue.	Cashier	Pre-numbered receipt is generated and given to the customer.	CR-1	Automated	Prevent	Daily
Cash Receipts (Automated)	Moderate	Completeness; Existence	Possibility of cash receipts missing due to fraudulent activity by employees which could lead to an understatement in cash and revenue.	VP's Staff Assistant	Mail payments are picked up and recorded on the check log by someone other than the cashier.	CR-2	Manual	Prevent	Daily
Cash Receipts (Automated)	**Moderate**	**Completeness; Existence**	**Possibility of cash receipts missing due to fraudulent activity by employees which could lead to an understatement in cash and revenue.**	**AR Manager**	**AR Manager is responsible for verifying that all checks recorded in the check log have been receipted in the system.**	**CR-3**	**Manual**	**Detect**	**Daily**

All controls that were confirmed during the walk-through should be listed on the risk and control matrix. Also, bold all critical controls since they will be tested going forward.

Note: The remaining controls have been intentionally omitted.

Case Study – Financial Risk Assessment

Community College XYZ

Test Plan

Document:	Test Plan
Entity:	*College XYZ*
Reporting Date:	June 30, 2012
Fund:	Proprietary
Financial Statement Account(s):	Cash and Cash Equivalents

Prepared by:	T. Smith
Reviewed by:	J. Doe

						Complete after testing			
Significant Process	**Process Risk Rating**	**Control Description**	**Control Ref. #**	**Objective of Test**	**Test Procedures**	**Results**	**Conclusion**	**Issue Raised?**	**Testing W/P Ref.**
Cash Receipts (automated)	Moderate	AR Manager is responsible for verifying that all checks recorded in the check log have been receipted in the system (Datatel).	CR-3	To determine that all checks received in the mail have been receipted into Datatel.	We will select a random sample of 20 business days and verify that all checks recorded in the check log were receipted into Datatel.	There were 2 incidents where the checks had not been receipted into Datatel in a timely manner.	Controls are ineffective.	Yes	CR

Case Study – Financial Risk Assessment

Community College XYZ

Test Leadsheet

Document:	Testing Leadsheet
Entity:	*College XYZ*
Reporting Date:	June 30, 2012
Fund:	Proprietary
Financial Statement Account(s):	Cash and Cash Equivalents

Performed by	T. Smith
Reviewed by:	J. Doe

Significant Process:	Cash Receipts - Automated
Process Risk Rating:	Moderate
Control Reference #:	CR-3
Control Description:	AR Manager is responsible for verifying that all checks recorded in the check log have been receipted in the system.
Control Frequency:	Daily
Automated, Manual or Both:	Manual
Prevent or Detect:	Detect
Control Owner:	AR Manager
Estimated Population:	240 Businsess Days
Sample Selection Methodology:	20 random business days
Sample Size:	20

🟦 Should agree to RACM

🟥 Should agree to Test Plan

Refer to Sample Size Guidance

Source Test Documents:	Manual check log and daily cash receipts journal.
Test Procedures:	Review the check log and verify that all checks have been assigned a receipt number and receipted into Datatel.
Definition of an Exception:	Receipt was not recorded in the check log. Check was not receipted into Datatel in a timely manner.

Testing Section:	**Customize column headings as necessary**			**Attributes**		
Sample No.	**Business Day**	**Receipt Date**	**Receipt #**	**A**	**B**	**W/P Ref.**
1	10/12/2011	10/12/2011	31345, 31346	Y	Y	CR
2	7/11/2011	7/15/2011	29828, 29829, 29830	Y	*N	CR
3	1/10/2012	1/12/2012	32201	Y	*N	CR
4 to 19	….	….	…. ….	…	…	
20	5/22/2012	5/22/2012	33002 to 33055	Y	Y	CR

Attributes:	**A**	Receipt recorded in the manual check log.
	B	Check receipted into Datatel in a timely manner.

Tickmark Legend:	**Y**	Attribute satisfied without exception.
	N	Attribute not satisfied.
	***N**	Check was receipted into Datatel untimely.

Results:	There were 2 incidents where the checks had not been receipted into Datatel in a timely manner.

Case Study – Financial Risk Assessment
Community College XYZ
Issue Summary Log

EAGLE Program
Issue Summary Log
College XYZ
June 30, 2012

Financial Statement Account(s)	Significant Process	Process Risk Rating	Control Description	Control Ref. #	Issue	Risk/ Implication	Recommendation	Management's Response
Cash and Cash Equivalents	Cash Receipts - Automated	Moderate	AR Manager is responsible for verifying that all checks recorded in the check log have been receipted in the Datatel.	CR-3	Out of a sample of 20, we had 2 days where the receipted checks were not processed in a timely manner (4 days and 2 days late).	Possible increased risk of fraud due to delay in receipting of funds. Also, the college is not in compliance with the Daily Deposit Act.	The college needs to ensure that all funds are deposited daily. AR Manager's daily review of the receipted items needs to include a comparison of the check log date to the receipted date in Datatel.	The college's senior management agrees with the recommendation. This recommendation will be implemented in August 2012.
Cash and Cash Equivalents	Cash Receipts - Automated	Moderate	Checks are restrictively endorsed upon receipt.	N/A	Checks are not restrictively endorsed upon acceptance.	Possibility of fraudulent activity due to checks not being endorsed at the time of acceptance.	The college needs to ensure that all checks are restrictively endorsed upon acceptance.	The college's senior management agrees with the recommendation. This recommendation will be implemented in August 2012.
Cash and Cash Equivalents	Cash Receipts - Automated	Moderate	AR Manager also approves and signs the Receipt Tender Code Analysis daily which includes the negative receipts.	CR-6	AR Manager had not signed the Receipt Tender Code Analysis Report on 11/15/2011, 3/12/2012 and 5/14/2012.	Possibility of fraudulent activity due to receipt reversals being performed that were unauthorized.	The college needs to ensure that the Receipt Tender Code Analysis report is signed by AR Manager which would detect any unauthorized receipt reversals.	The college's senior management agrees with the recommendation. This recommendation will be implemented in August 2012.